

12 August 2015

Jeremy Newman  
Adviser, Listings Compliance  
ASX Compliance Pty Limited  
Level 40, Central Park  
152-158 St George Terrace  
PERTH WA 6000

By email: [Jeremy.Newman@asx.com.au](mailto:Jeremy.Newman@asx.com.au)

Dear Jeremy

**Response to ASX 5B Query**

Krakatoa Resources Limited ("Company") is pleased to respond to your query on 10 August 2015 as follows:

1. The Company believes that the following factors should be taken in to consideration when assessing the Company's position:
  - Since the period ended 30 June 2015, the Company has raised additional working capital totaling \$373,010.
  - The Company announced on 15 July 2015 that it will undertake, subject to the approval of shareholders, a placement of options ("Option Placement") on the basis of one (1) New Option for every one (1) \$0.20 listed and unlisted option which expired at 5.00pm (WST) on 30 June 2015 ("Expired Options"). The Option Placement will be at an issue price of \$0.01 per New Option to raise approximately \$230,630 before costs, with the New Options to have an expiry date of 31 March 2017 and an exercise price of \$0.20, and will be made to persons who held Expired Options on 30 June 2015.
  - As announced to ASX on 10 December 2013, the Company has a \$5 million Standby Subscription Agreement funding arrangement with Gurney Capital Nominees Pty Ltd ("Investor") until 10 December 2018. Under the Facility the Company may give a drawdown notice to the Investor for funds to be received within 2 business days.
2. Due to the nature of the Company's activities which is primarily engaged in exploration activities it is likely that the Company will continue to experience negative operating cash flows. The Company will fund its ongoing exploration activities through raising future capital from investors and with other financing opportunities where available.



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3. With the balance of cash and other funding options available as detailed above, the Company is of the opinion that it is in a position to continue to meet its business objectives and to fund its expenditure commitments.
4. The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.
5. The Company believes its financial position to be adequate to warrant continued quotation on the ASX, primarily due to having sufficient cash to meet its immediate obligations, the Standby Subscription Agreement funding arrangement and a reasonable expectation that it will be able to fund its planned future activities.

Should you have any queries regarding the above I will be happy to discuss such matters with you.

Yours sincerely

Colin Locke  
Executive Chairman



10 August 2015

David Palumbo  
Company Secretary  
Krakatoa Resources Limited

*By email: david@miningcorporate.com.au*

Dear David

**Krakatoa Resources Limited ("Company")**

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 June 2015, released to ASX Limited ("ASX") on 31 July 2015 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales of \$0.
2. Net negative operating cash flows for the quarter of \$275,000.
3. Estimated cash outflows of \$150,000.
4. Cash at end of quarter of \$23,000

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rules 3.1 – 3.1B".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to [jeremy.newman@asx.com.au](mailto:jeremy.newman@asx.com.au). It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Thursday, 13 August 2015**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

*[sent electronically without signature]*

Jeremy Newman

**Senior Adviser, Listings Compliance (Perth)**